

ORIGINAL

THIRD AMENDMENT TO GROUND LEASE

THIS THIRD AMENDMENT TO GROUND LEASE ("Third Amendment") is entered into as of ~~December 19, 2018~~ ^{JANUARY 19, 2019} by and between the CITY OF SAN DIEGO, a chartered California municipal corporation ("CITY"), and THE REGENTS OF THE UNIVERSITY OF CALIFORNIA, a California public corporation ("REGENTS"), based on the following:

RECITALS

A. CITY and Scripps Clinic and Research Foundation ("Scripps"), predecessor to REGENTS, entered into an Option Agreement ("Prior Option"), which was filed in the Office of the San Diego City Clerk on December 13, 1982, as Document No. R-257635-1. The Prior Option gave Scripps the right to lease from CITY that certain real property which was set forth in Exhibit A to the Prior Option. Scripps was given two (2) years to exercise its rights under the Prior Option and enter into a lease with CITY; the terms and conditions of said lease were set forth in Exhibit B to the Prior Option, which was titled Agreement for Ground Lease, Development and Use of Real Property ("Ground Lease").

B. Scripps timely exercised its rights under the Prior Option and entered into the Ground Lease with CITY. The effective date of the Ground Lease was February 23, 1985. The term of the Ground Lease is 55 years, expiring on January 31, 2040.

C. The real property leased pursuant to the Ground Lease is described as Parcel 1 of Parcel Map 9813; said parcel is more generally known as the Reservoir Site on North Torrey Pines Road and is approximately 2.87 acres in size (Torrey Pines Center South at 10280 North Torrey Pines Road) (the "Site").

D. Although the real property leased pursuant to the Ground Lease is a Pueblo Lot which was subject to City Charter Section 219, pursuant to Ordinance No. 8983, dated March 19, 1964, an election on June 24, 1964, and ratifying Resolution No. 180579, dated July 7, 1964, CITY was authorized to lease or sell the Pueblo Lot 1323, of which the leased real property is a part, for research and development purposes and such other uses necessarily incidental thereto.

E. Scripps assigned its interest in the Ground Lease to McKellar Development of La Jolla ("McKellar") pursuant to an Assignment of Lease recorded in the Office of the County Recorder on April 15, 1985, as Instrument No. 85-093951. McKellar developed a two-story, 140,000 square foot, office building and related site improvements over two levels of subterranean parking ("Improvements").

F. CITY and McKellar entered into a First Amendment to the Ground Lease dated March 4, 1985, and a Second Amendment to Ground Lease dated June 30, 1986. Hereinafter the original Ground Lease, along with the First Amendment and Second Amendment are all collectively referred to as the "Ground Lease."

G. McKellar assigned the Ground Lease, along with all of McKellar's right, title and interest in and to the Improvements, fixtures, and personal property located on the Site to REGENTS pursuant to the Assignment and Assumption of Ground Lease dated October 5, 1987. Hereinafter the Site, along with the improvements and fixtures located thereon are all collectively referred to as the "Property."

H. By separate agreement (the "Option Agreement"), CITY has granted REGENTS an option to purchase the Property. However, the Property is collateral for lease revenue bonds issued by CITY. As

the bonds' conditions will remain in effect until October 15, 2042, REGENTS cannot exercise the option until 2042.

I. CITY and REGENTS thus intend to adjust the term and rent of the Ground Lease as stated in this Third Amendment to coordinate it with the Option Agreement.

AGREEMENT

NOW, THEREFORE, having incorporated the above Recitals into this Agreement by this reference, the parties agree as follows:

1. Holdover. Section 2.02 of the Ground Lease shall be deleted in its entirety and replaced with the following:

Holdover. Any holding over by LESSEE after expiration or termination shall not be considered a renewal or extension of this lease nor shall it be considered LESSEE's default. The occupancy of the premises after the expiration or termination of this agreement constitutes a month-to-month tenancy, and all other terms and conditions of this agreement shall continue in full force and effect, *except that* CITY shall not have the right to increase the rent during the holdover period until October 15, 2044. CITY shall have the right to increase the rent to then market value, on or after October 15, 2044, if LESSEE remains in possession of the premises in holdover status, and has not exercised its option right to purchase the premises, or has not closed escrow on the premises pursuant to the Option to Purchase Agreement on file with the City Clerk as Document No.:

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2. Surrender. Section 2.03 of the Ground Lease shall be deleted in its entirety and replaced with the following:

Surrender of Premises. At termination of this lease for any reason or, if LESSEE holds over then at the end of the holdover period, LESSEE shall execute, acknowledge and deliver to the CITY, within five (5) days after written CITY demand, a valid and recordable quitclaim deed covering all of the leasehold premises. The premises shall be delivered free and clear of all liens and encumbrances, and in a decent, safe and sanitary condition.

3. Improvements. Section 6.03 of the Ground Lease shall be deleted in its entirety and replaced with the following:

Improvements/Alterations. Should LESSEE desire to construct additional improvements or alter existing improvements on the premises, it shall submit its request to CITY's Real Estate Assets Department or its successor as manager of the premises on behalf of CITY. The request shall contain sufficient information, such as architectural drawings, to enable CITY's appropriate review. The request shall be deemed approved unless CITY denies approval or requests additional information within fifteen (15) calendar days of when the request was submitted.

4. Signs. Section 6.08 of the Ground Lease is hereby deleted in its entirety and replaced with the following:

Signs. Lessee agrees not to erect or display any banners, pennants, flags, posters, signs, decorations, marquees, awnings or similar devices or advertising without the prior consent of the CITY. To obtain CITY's consent, LESSEE shall submit a description sufficient to enable CITY's appropriate review of any item that LESSEE wishes to erect or display to (and only to) CITY's Real Estate

Assets Department. The request shall be deemed approved unless CITY denies approval or requests additional information within fifteen (15) calendar days of when the request was submitted. If any such unauthorized item is found on the premises, LESSEE agrees to remove the item at its expense within 24 hours' notice thereof by CITY or CITY may thereupon remove the item at LESSEE's cost.

5. Effect of Option Agreement. To the extent the Ground Lease conflicts with the Option Agreement, the Option Agreement shall control.

6. Effect of Third Amendment. Except as expressly stated in this Third Amendment, the Ground Lease remains in force and effect.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

THE CITY OF SAN DIEGO, a California municipal corporation

Date: 1/25/19

By: [Signature]

Cybele Thompson
Director, Real Estate Assets Department

Approved as to form this 29th
day of January, 2019, 2018

MARA W. ELLIOTT, City Attorney

BY: Melissa Aales
Name: Melissa Aales
Title: Deputy City Attorney

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THE REGENTS OF THE UNIVERSITY OF
CALIFORNIA, a California public corporation

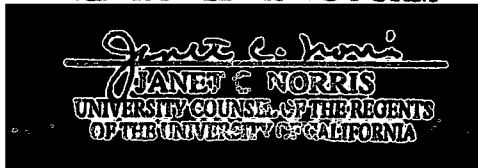
Dated: 11/13/2018

By: Nathan Brostrom
Name: Nathan Brostrom
Title: EVP - CFO

Approved as to form this ____ day of
_____, 2018.

Office of the General Counsel

APPROVED AS TO FORM



By: _____
Name: _____
Title: _____